Prices discusses a number of bases upon which to determine prices such as the "productive hour," "pound," "piece," "per cent of cost," and "mutual satisfaction." The last mentioned is a sort of "what the traffic will bear" scheme summed up by the author as follows:

> The purchase of such a machine enables the purchaser to turn out his product very much cheaper than he could otherwise do; and he is only too glad to buy at a price which allows the manufacturer of the machine a very large margin. Mutual satisfaction is undoubtedly the best term to use in describing this method of determining profit. After all, a satisfactory and fair price is one which both vendor and purchaser mutually agree upon in a transaction between two. If both are content there can be no logical argument against such a method.

The closure is an appeal for greater consideration and better treatment of the workman, not only because of philanthropic motives but because it pays. "In the future," says the author, "the successful business will begin its economy by eliminating wastes rather than cutting wages." "If the American business man, with his command of unlimited and unexcelled resources of practical thought, capital, equipment and energy, will govern his industrial world by 'true' figures and not guess work, his supremacy and that of the American workman will be impregnable."

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Principles of Accounting. By STEPHEN GILMAN. (Chicago: LaSalle Extension University. 1916. Pp. xii, 415. $3.00.)

The student without accounting experience but attracted by the opportunities in the growing field of accountancy has often found the available treatises on the subject better suited for reference purposes than for helping him to master the working principles of accounting in a systematic manner. Many who have attempted to teach the subject have complained that most textbooks on modern accounting are written either by teachers with little practical experience in accounting or by practicing accountants without knowledge of pedagogy, the result in neither case being satisfactory. Doubtless both teachers and students will therefore welcome this new text on the principles of accounting, the author of which, a former manager of the credit department of the Tennessee Coal, Iron, and Railroad Company, brought to his task successful experience both in the teaching and in the practicing of accounting. "The purpose of the book," as he states, "is not to

promulgate the specialized treatment of any particular phase of the subject, but rather to present the basic principles of the science of accounting in a graphic and comprehendible manner."

In a "preliminary survey" the author, by means of a somewhat extended series of graphic illustrations of an ordinary pair of scales or balances, develops the law of double entry, or "the fundamental accounting equation" which he expresses as "assets = liabilities." This equation however, he later amends by classifying liabilities as: (1) liabilities to the proprietor; (2) liabilities to others. This amended equation constitutes the general ledger formula, the general ledger being explained as the keystone of the whole accounting system, really not a book or collection of leaves or cards, but rather a function, the practical application of the formula: assets = liabilities + proprietorship. The diagrams and their accompanying explanations showing the analogy of the law of physical balance to that of the balancing assets and liabilities in the ledger are effective, but it may be questioned whether so many rather obvious illustrations are necessary to establish the principle in a book which, according to the preface, was "written primarily for those having some training or experience in the art of bookkeeping." Probably to most of his readers the conclusion would have been equally clear had the writer begun with the assertion that double entry bookkeeping starts out with an equation, or balance, namely: assets — liabilities = proprietorship. For beginners, however, the pedagogic device of the pair of scales may have value.

In chapter 2, The Bases of Accounting, the student learns that the left-hand side of an account is for convenience called the "debit" side, and the right the "credit" side; that in the ledger we have "a device or mechanism by the aid of which the manager of a business may obtain a comprehensive view of the situation of the business as a whole, in which the activities of the business are reflected, and by which the history of the business is recorded"; that "the mechanics of operating this device is known as the art of bookkeeping"; and that "the act of adapting and regulating it and of interpreting its results is called the science of accountancy." This distinction reminds one of the old "Ray's Higher" definition of arithmetic as the science of numbers and the art of numerical computation. It leaves one in doubt, however, whether bookkeeping is or is not a branch of accounting. In the same chapter also we find a discussion of account relations, the rela-

tion of the proprietor to the business, the controlling account and subsidiary ledger, the distinction between real and nominal accounts, and the development of the classified trading accounts from the old-fashioned merchandise account. This is followed by a chapter on the development of the special journals, in which the various posting media are illustrated and the principles underlying their operation discussed, the modern journal being no longer a book but rather a function, exercised by a collection of books and sheets. The remaining chapters treat, in the order named, the balance sheet, assets and their valuation, liabilities, proprietorship, corporations, reserve and reserve funds, depreciation, special forms of statements, the holding company, and the consolidated balance sheet.

Holding that nowhere in the entire field of accounting has the constructive accountant a better opportunity to exhibit his skill than when classifying the nominal accounts, the author has devoted two whole chapters to proprietorship. This seems justified. But few problems arise in connection with the classification of assets and liability accounts, since they record only values owned or owed. But proprietorship accounts record business forces, and from them the manager may get information that will enable him to run his business to the best advantage. The discussion in the text is aided by excellent organization and classification charts and by model forms of statements. The author's conception of the business as a separate entity or individuality causes him to take the position that such items as wages, rent, and interest really represent assets of the business in the sense that they are accounts due from the proprietor, while items of profit, since the proprietor is entitled to them, are technically liabilities of the business to the proprietor. Carrying out this process of reasoning, with the author's primary classification of all accounts into nominal (proprietorship accounts) and real (assets and liabilities) would ultimately lead him to the interesting conclusion that the business has only one class of accounts—all assets; for liabilities, as he correctly states, are negative assets. This personifying of the business he holds is justified by experience as the desirable approach to the subject of accounting theory, and he maintains that proprietorship accounts reflect not a legal liability, but a theoretical liability. In this view he is in accord with many other writers on accounting theory; yet it is difficult to see why proprietorship accounts, simply because they normally have credit balances,

should be classed as liabilities, when it is perfectly clear that they are not liabilities. It seems better theory to reject this personification and consider the proprietorship accounts (representing the ownership or worth of the business) as a distinct group from the asset and liability accounts (representing the value owned), the fundamental relationship between the two groups being that of equality in value.

Not all authorities, either, will agree that organization expenses "are bona fide assets which need never be amortized or charged off, since they are perpetual in their nature, unless the life of the corporation is limited to a definite number of years, in which case they should be charged off during the life of the corporation." But the position that depreciation is a cost and not a deduction from profits seems well taken, as also the suggestion that "allowance for depreciation" is a better term, to represent the account credited with the value an asset has lost, than "reserve for depreciation," since a valuation account, which is an offset to an asset account, should be carefully distinguished from a reserve account, which is appropriated surplus. In discussing good-will the author suggests that its purchase is like the purchase of a bond at a premium. The bond premium represents future interest; the business premium or good-will represents future profits. As the life of the bond determines the yearly amount to be charged off, so in the case of good-will the number of years' profits which have been purchased determines the number of years over which good-will shall be charged off. But the charge should be against capital invested and not against current profits. However, he discusses other methods and adds that no one can afford to be dogmatic about the treatment of good-will since so many excellent authorities disagree absolutely.

On the whole, it may be said that the book does not undertake to advance new theories but to present clearly the principles underlying the best accounting practice. The point of view is modern, the treatment comprehensive and usually adequate, and the style simple and clear. Effective use is made of charts, examples, problems, and summaries. The author points out that accounting is not an exact science, that it involves many disputed points, and, recognizing that accounting instruction should be as broad as possible, he usually gives various views and methods, explains their relative advantages and disadvantages, and states his preference after deliberate consideration of the important factors pro and

con. The author's acquaintance with accounting theory, however, is evidently not equalled by his knowledge of economic theory, else why say: "In a natural state, water may be obtained without effort; hence it has no utility"?

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Cost Accounting and Burden Application. By CLINTON H. SCOVELL. (New York: D. Appleton and Company. 1916. Pp. xx, 297, 13. $2.00.)

In his introduction the author states that the purpose of his book is "to examine the elements of cost, and to define principles and describe methods of procedure in the development of a cost accounting practice, particularly in respect to the determination of overhead charges or burden." He has kept to his text throughout and has made a very valuable addition to the literature on the subject.

The book naturally falls into six divisions: introduction (ch. 1), cost accounting (chs. 2-4), burden (chs. 5-13), budget system and statements (chs. 14-15), costs of specific industries (chs. 16-19), and summary (ch. 20 and appendix). Chapters 2, 3, and 4 contain practically all of the cost accounting except that which is concerned with burden and this part of the book may be considered with chapter 1 as introductory to the burden application which takes up the far greater part. In the introduction the author might have added to the clearness by making one assumption at a time and disposing of that before proceeding to another one. This, however, is not a very serious objection as it appears only in the introduction. That part dealing with burden application is well written and logically arranged.

The author is ever mindful that a cost accounting system for every business, and for different plants in the same business, must be modified to suit the particular business and plant. Therefore he does not attempt to lay down any fixed rules as to details, but has simply separated cost and burden into their elements and considered these elements in their relation to each other and to the business as a whole. This makes unnecessary the inclusion of a mass of forms, such as one usually finds in a book on cost accounting. The suggestions as to the methods of procedure will be found of much value to either cost accountant or manager, but they do not leave one with the impression that the suggested way is the only way.